

Message Text

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44

ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 EB-11 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06

NSAE-00 NSC-10 PA-04 RSC-01 AID-20 CIEP-02 SS-20

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FM AMEMBASSY BONN

TO SECSTATE WASHDC 8471

INFO AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

USMISSION EC BRUSSELS

USMISSION GENEVA

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PASS STR AND AGRICULTURE FOR GOODMAN AND NOVOTNY

E.O. 11652: N/A

TAGS: EAGR, GW

SUBJECT: PENDING EC REVIEW OF THE GRAIN CAP

REF: BONN 15572 (INFO 0606 TO USMISSION EC BRUSSELS ONLY)

1. SUMMARY. TRADE SOURCES INDICATE THAT THE EC IS PRESENTLY INVESTIGATING THE POSSIBILITY OF A SINGLE INTERVENTION PRICE FOR WHEAT AND BARLEY SIMILAR TO THAT NOW APPLICABLE TO CORN, RYE AND DURUM; SETTING SUPPORT
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PRICES ACCORDING TO FEED VALUES WITH BARLEY AT BASE 100,

WHEAT THEN 104 AND CORN 108; TIGHTENING OF THE QUALITY STANDARDS; LIMITING THE INTERVENTION PERIODS TO PER-HAPS ONLY THE LATER MONTHS OF THE CROP YEAR; INSTITUTING A COMPETITIVE BID SYSTEM FOR EXPORT RESTITUTIONS/LEVIES; DEVELOPING CENTRALIZED ADMINISTRATION OVER INTERVENTION STOCKS; AND ELIMINATING THE DAILY SYSTEM OF LEVY DETER-MINATIONS. THE PROPOSALS ALL BASICALLY HAVE AS THEIR OB-JECTIVE: REDUCTION OF BUDGET COSTS, DIRECTLY OR BY PASS-ING INCREASES THROUGH THE MARKET; AND ENCOURAGING GREAT-ER CONSUMPTION OF DOMESTIC PRODUCTION. END SUMMARY.

2. THE SINGLE INTERVENTION PRICE IS DESIGNED REPORTEDLY TO MINIMIZE FREIGHT SUBSIDIES AND ENCOURAGE THE MARKET TO ADJUST TO AVAILABILITY. COMMENT: THE FRG RECORD ON RYE DOES NOT LEND MUCH SUPPORT TO THE SINGLE PRICE PRINCIPLE. THE TRADE REPORTS THAT THE FRG HAS RE-QUESTED AUTHORITY FROM BRUSSELS TO MOVE FREIGHT-SUBSI-DIZED RYE FROM THE NORTH TO THE SOUTH, PRINCIPALLY BAVARIA.

3. BASING SUPPORT PRICES FOR WHEAT, BARLEY AND CORN ON FEED VALUES BREAKS WITH THE FRG TRADITIONAL VIEW OF WHEAT AS A FOOD GRAIN AND WOULD ESTABLISH A RELATIONSHIP THAT ELIMINATES THE NEED FOR DENATURING PREMIUMS THAT LARDENOIS, REPORTEDLY, HAS SAID, QUOTE BELONGS IN THE PAST FOREVER UNQUOTE.

4. TIGHTENING OF QUALITY STANDARDS IS BELIEVED DIRECTED MAINLY TOWARD BARLEY WITH THE OBJECTIVE OF DENYING ACCESS TO INTERVENTION FOR LOWER QUALITIES AND THUS ENCOURAGING FEEDING OF HIGH MOISTURE AND/OR HIGH SHRUNKEN AND BROKEN LOTS.

5. LIMITING INTERVENTION PERIODS IN CONJUNCTION WITH THE FRG PROPOSAL FOR INCREASED COMMERCIAL STORAGE PAY-MENTS WOULD ENCOURAGE HIGHER COMMERCIAL MARKETINGS PAR-TICULARLY IN THE POST HARVEST PERIOD.

6. THE COMPETITIVE BID SYSTEM FOR EXPORTS WOULD, RE-PORTELDY, REDUCE COSTS AND, ACCORDING TO THE TRADE AND LIMITED OFFICIAL USE

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IN OUR JUDGMENT, PROVIDE GREATER CONTROL OF EXPORTS. PURPORTEDLY, FRANCE WANTS FLEXIBILITY TO REFUSE SOME DESTINATIONS AND FAVOR OTHERS. SOME DISCUSSION DE-TAILS OF THE PROPOSED SYSTEM INCLUDE: A DETERMINATION OF THE QUANTITY TO BE ALLOCATED DEPENDENT UPON THE TOTAL QUANTITY AND PRICES BID, OR REFUSAL OF ALL BIDS; BUYERS RIGHT TO WITHDRAW BID WHEN ONE BUYER BIDS FOR A QUANTITY LARGER THAN THE COMMITTEE INTENDS TO ALLOCATE; CLOSING

DAY OF THE TENDER WOULD BE THE DAY BEFORE THE COMMITTEE MEETS; EFFECTIVE DATE TO INTRODUCE THE NEW SYSTEM IS EXPECTED TO BE WITHIN A FEW WEEKS; COMMITTEE WILL REQUIRE MUCH HIGHER BID DEPOSITS; DEFAULT PENALTIES COULD BE AS HIGH AS 50 PERCENT OF THE LEVY.

HILLENBRAND

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